Alberta

BUDGET2009

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First Quarter Fiscal Update 2009–2010

Government of Alberta

August 2009

UPDATING ALBERTANS

The *First Quarter Fiscal Update* consists of two parts – the updated 2009-10 forecast for the entire fiscal year and the actual results for the first three months of the fiscal year (April 1 to June 30, 2009).

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2009–10 FORECAST

HIGHLIGHTS

Deficit. Forecast at $6.9 billion, an increase of $2.2 billion from budget.

Revenue. Forecast at $29.6 billion, a decrease of $2.1 billion from budget. Lower non-renewable resource, personal income and other tax revenue, and lower revenue from a number of other sources, are partially offset by a higher investment income and federal transfers. While the oil price forecast has been increased from budget, the natural gas price forecast has been lowered. The forecast for the US-Cdn dollar exchange rate has also been increased, which lowers forecast revenue.

Expense. Forecast at $36.4 billion, an increase of $72 million from budget. The increase is mainly for increased forest fire-fighting costs and capital grants, partly offset by increased value review savings.

Sustainability Fund. Assets of the Sustainability Fund at March 31, 2010 are forecast at $9.3 billion, $1.0 billion lower than budget. This reflects an increase of $2.2 billion in withdrawals to offset the deficit, and cash and other adjustments of $0.4 billion (see page 9 for details). These are partly offset by the transfer to the Fund of $1.5 billion from the better-than-forecast 2008-09 fourth quarter results.

FISCAL SUMMARY[a]

(millions of dollars)

		2009-10 Budget	2009-10 1st Quarter Forecast	Change from Budget
1	**Revenue**	31,661	**29,570**	(2,091)
2	**Expense**[b]			
3	Program expense			
4	Operating expense	31,244	**31,077**	(167)
5	Capital grants	4,152	**4,256**	104
6	Disaster/emergency assistance	-	**135**	135
7	Capital amortization and nominal sum disposals	774	**774**	-
8	Debt servicing costs	205	**205**	-
9	**Total Expense**	36,375	**36,447**	72
10	Surplus (Deficit)	(4,714)	**(6,877)**	(2,163)
11	Alberta Sustainability Fund withdrawal to offset the deficit	4,714	**6,877**	2,163

[a] Subject to the *Fiscal Responsibility Act*. Does not include changes in the results of Crown-controlled SUCH sector organizations or in pension liabilities.

[b] Capital investment is not included in expense. 2009-10 capital investment is forecast at 3,027 3,423 396

ALBERTA SUSTAINABILITY FUND

(millions of dollars)

	2009-10 Budget	2009-10 1st Quarter Forecast	Change from Budget
Assets at Start of Year	16,822	**16,822**	-
2008-09 fourth quarter results	-	**1,503**	1,503
Withdrawal to offset the deficit	(4,714)	**(6,877)**	(2,163)
Cash adjustments			
Capital cash adjustments	(847)	**(975)**	(128)
Retained income of funds and agencies	(223)	**(499)**	(276)
Other cash adjustments	(679)	**(659)**	20
Assets at End of Year	10,359	**9,315**	(1,044)

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Non-renewable resource revenue is forecast at $3.9 billion, a decrease of $2.1 billion from the budget estimate. This decrease reflects lower-than-forecast natural gas prices, lower oil sands royalties due to higher costs and lower production, and lower land sales, partly offset by a lower forecast for the revenue reduction from the drilling stimulus initaitives.

Natural gas royalties are forecast at $1.9 billion, $1.8 billion lower than the budget estimate. The decrease is due to lower-than-expected natural gas prices, which are forecast to average Cdn$3.75 per gigajoule (GJ) for the fiscal year, a decrease of Cdn$1.75/GJ from the budget estimate. The outlook for natural gas prices has deteriorated due to depressed demand, increased U.S. production and record inventory levels.

Total oil royalties are forecast at $1.9 billion, $333 million lower than the budget estimate. Oil prices are currently forecast to average US$61.00 per barrel (bbl) over the fiscal year, up US$5.50/bbl from the budget estimate. The impact on royalty revenue from the increase in prices is partially offset by the higher US-Cdn dollar exchange rate. While royalties from conventional production are forecast slightly higher than budgeted, oil sands royalties are $364 million lower due to lower production and higher costs than estimated in budget.

Revenue from bonuses and sales of Crown leases is forecast at $478 million, $153 million lower than budgeted. The decrease is due to lower land sales for conventional oil and gas production and slightly lower prices per hectare sold.

Drilling stimulus incentives are forecast at $590 million, down $252 million from budget. Drilling activity has been lower than estimated due to lower natural gas prices.

TAX REVENUE

Personal income tax revenue is forecast at $8.0 billion, down $532 million from the budget estimate. The decrease is due mainly to lower-than-expected preliminary data for 2008 tax assessments. This reduces the base for 2009 and subsequent tax years and requires a negative prior years' adjustment of $335 million.

Corporate income tax revenue is forecast at $2.4 billion, unchanged from the budget estimate. The budget estimate already was based on corporate income tax revenue declining by 40%, and although the economic outlook for 2009 has worsened, actual corporate tax collections to date do not support a further reduction in revenue.

Other tax revenue is forecast at $3.7 billion, a decrease of $91 million from the budget estimate. Revenue from tobacco and fuel taxes and the tourism levy is $58 million lower than estimated due mainly to lower-than-estimated consumption. Freehold mineral rights tax revenue is down $33 million primarily due to lower natural gas prices.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at $4.7 billion, $73 million higher than the budget estimate. Agriculture program transfers are down $27 million. Payments under the federal AgriInvest program are now being made directly by the federal government instead of by the province, lowering provincial revenue and associated expense by $58 million. This is partly offset by $31 million in increased transfers under a new bilateral Growing Forward agreement. Other federal transfers are $100 million higher, primarily reflecting increased funding of $58 million for affordable housing initiatives and $51 million for the Canada Skills and Transition Strategy, partly offset by a net decrease of $9 million mainly related to softwood lumber export tax revenue.

INVESTMENT INCOME

Total investment income is forecast at $2.6 billion, an increase of $760 million over the budget estimate. The increase is due mainly to stronger-than-expected performance of equity markets so far this fiscal year and higher rates of return on short-term investments.

OTHER REVENUE

Total revenue from other sources is forecast at $4.3 billion, $249 million lower than budgeted.

This includes:

- $180 million decrease in liquor revenue due mainly to the rescinding of the increase in liquor mark-ups;
- $84 million decrease in gaming revenue due to lower activity;
- Net increase of $15 million in other revenue, primarily reflecting increased industry funding for the Alberta Livestock and Meat Agency and land sale under the Land Stewardship initiative.

REVENUE

(millions of dollars)

	2009-10 Budget	1st Quarter Forecast	Change from Budget	Main Reasons for Change from Budget
Income Taxes				
Personal income tax	8,559	**8,027**	(532)	Lower-than-expected 2008 assessments
Corporate income tax	2,447	**2,447**	-	
	11,006	**10,474**	(532)	
Other Taxes				
Education property tax	1,532	**1,532**	-	
Tobacco tax	915	**880**	(35)	Lower-than-forecast consumption
Fuel tax	725	**705**	(20)	Lower-than-forecast consumption
Freehold mineral rights tax	200	**167**	(33)	Lower natural gas prices
Insurance taxes	298	**298**	-	
Tourism levy	76	**73**	(3)	Lower hotel rates and number of stays
	3,746	**3,655**	(91)	
Non-Renewable Resource Revenue				
Natural gas and by-products royalty	3,687	**1,861**	(1,826)	Lower natural gas prices
Crude oil royalty	1,249	**1,280**	31	Higher oil prices
Synthetic crude oil and bitumen royalty	1,008	**644**	(364)	Lower production / higher costs
Coal royalty	27	**27**	-	
Bonuses and sales of Crown leases	631	**478**	(153)	Fewer hectares sold / lower prices per hectare
Rentals and fees	143	**151**	8	Higher lease renewal rates
Drilling stimulus initiatives	(842)	**(590)**	252	Lower prices/drilling activity
	5,903	**3,851**	(2,052)	
Transfers from Government of Canada				
Health transfers	2,037	**2,037**	-	
Canada Social Transfer	1,170	**1,170**	-	
Agriculture support programs	374	**347**	(27)	AgriInvest program delivery change
Other	1,090	**1,190**	100	Skills and Transition Strategy / affordable housing
	4,671	**4,744**	73	
Net Income from Commercial Operations				
Alberta Gaming and Liquor Commission:				
Gaming and lottery revenue	1,492	**1,408**	(84)	Lower-than-forecast activity
Liquor revenue	880	**700**	(180)	Rescinding of increase in liquor mark-ups
Alberta Treasury Branches	148	**148**	-	
Other	7	**7**	-	
	2,527	**2,263**	(264)	
Investment Income				
Alberta Heritage Savings Trust Fund	778	**1,407**	629	Stronger-than-expected equity markets
Endowment Funds:				
Medical Research	51	**103**	52	Stronger-than-expected equity markets
Science and Engineering Research	29	**56**	27	Stronger-than-expected equity markets
Scholarship	20	**53**	33	Stronger-than-expected equity markets
Alberta Capital Finance Authority	294	**294**	-	
Agriculture Financial Services Corporation	108	**108**	-	
Sustainability Fund	345	**375**	30	Higher balance / returns
Debt Retirement Account	45	**50**	5	Higher returns
Other	129	**113**	(16)	Lower balances
	1,799	**2,559**	760	
Premiums, Fees and Licences				
Motor vehicle licences	366	**358**	(8)	Lower vehicle registration
Crop and hail insurance premiums	251	**251**	-	
Energy Resources Conservation Board Levies	111	**111**	-	
Timber rentals and fees	40	**40**	-	
Land titles	62	**60**	(2)	Lower housing activity
Other	326	**318**	(8)	Lower lands and grazing fees
	1,156	**1,138**	(18)	
Other				
Refunds of expense	111	**112**	1	Miscellaneous changes
Climate Change and Emissions Management	95	**95**	-	
Fines and penalties	113	**113**	-	
Miscellaneous	534	**566**	32	ALMA industry funding/Land Stewardship initiatives
	853	**886**	33	
Total Revenue	31,661	**29,570**	(2,091)	

EXPENSE

TOTAL EXPENSE

Total expense is $72 million higher than the budget estimate. Changes from budget consist of:

- $135 million increase in disaster/emergency assistance;
- $43 million net increase in dedicated revenue/operating expense;
- $104 million increase in capital grants;
- $210 million net decrease in operating expense.

Disaster/Emergency Assistance – An increase of $135 million, comprising $120 million for forest fire-fighting costs, $5 million for municipal wildfire assistance and $10 million to combat mountain pine beetle infestations.

Capital grants – Are increasing by $104 million from budget. The increase mainly reflects the flow-through of new federal funding to support affordable housing development initiatives and funding for water and wastewater management infrastructure.

MINISTRY EXPENSE CHANGES

Agriculture and Rural Development – $13 million decrease, mainly due to changes in the delivery method of the AgriInvest program. The federal portion of the program is now delivered directly to recipients rather than through the province. Additional funding for a new bilateral Growing Forward agreement and new industry funding for the Alberta Livestock and Meat Agency partly offset the decrease.

Employment and Immigration – $50 million increase, primarily reflecting flow-through of federal funding under the new Canada Skills and Transition Strategy agreement.

Housing and Urban Affairs – $58 million increase for affordable housing development initiatives fully offset by increased federal funding.

Municipal Affairs – $5 million increase for municipal wildfire assistance.

Sustainable Resource Development – A net $130 million increase, consisting of $120 million in additional forest fire-fighting costs and $10 million for combating mountain pine beetle infestations.

Transportation – $47 million increase primarily for spending on water and highway infrastructure.

Other Ministries – $10 million net increase. $9 million increase to cancel an oil and gas exploration lease and $1 million net increase in some other program areas.

Value Review Savings – $430 million, an increase of $215 million in value review savings. Savings will be identified by ministries in their second quarter forecasts.

EXPENSE SUMMARY

(millions of dollars)

	Budget	1st Quarter Forecast	Change from Budget
Program Expense			
Operating expense	31,244	**31,034**	(210)
Capital grants	4,152	**4,256**	104
Disaster/emergency assistance	-	**135**	135
Capital amortization and nominal sum disposals	774	**774**	-
Dedicated revenue / operating expense net increases [a]	-	**43**	43
Total Program Expense	36,170	**36,242**	72
Debt Servicing Costs	205	**205**	-
Total Expense	36,375	**36,447**	72

[a] Dedicated revenue/operating expense changes – Agriculture and Rural Development: $12.2 million net decrease ($27.3 million decrease in federal agriculture support, partly offset by $15.1 million increase in ALMA industry funding); Employment and Immigration: $50.9 million increase for the Canada Skills and Transition Strategy; net $4.0 million in other increases.

EXPENSE BY MINISTRY

(millions of dollars)

	2009-10			
	Budget	1st Quarter Forecast	Change from Budget	Main Reasons for Change from Budget
Program				
Legislative Assembly	95	**95**	-	
Aboriginal Relations	150	**150**	-	
Advanced Education and Technology	3,143	**3,143**	-	
Agriculture and Rural Development	1,139	**1,126**	(13)	AgriInvest program delivery change
Children and Youth Services	1,141	**1,141**	-	
Culture and Community Spirit	309	**310**	1	Purchase of historical/cultural assets
Education	6,158	**6,158**	-	
Employment and Immigration	1,011	**1,061**	50	Canada Skills and Transition Strategy
Energy	501	**510**	9	Cancellation of lease
Environment	348	**348**	-	
Executive Council	36	**36**	-	
Finance and Enterprise	1,283	**1,282**	(1)	Transfer to capital investment
Health and Wellness	12,935	**12,937**	2	Capital for Emergent Projects transfer
Housing and Urban Affairs	554	**612**	58	Affordable housing development initiatives
Infrastructure	572	**570**	(2)	Capital for Emergent Projects transfers
International and Intergovernmental Relations	26	**26**	-	
Justice	485	**485**	-	
Municipal Affairs	592	**597**	5	Municipal wildfire assistance
Seniors and Community Supports	1,974	**1,974**	-	
Service Alberta	298	**299**	1	Utilities Consumer Advocate
Solicitor General and Public Security	627	**629**	2	Sheriffs' Community Deployment Program
Sustainable Resource Development	344	**474**	130	Forest fires/mountain pine beetles
Tourism, Parks and Recreation	193	**191**	(2)	Transfer to capital investment
Transportation	2,227	**2,274**	47	Water and highway improvements
Treasury Board	244	**244**	-	
Value review savings	(215)	**(430)**	(215)	Increased planned savings
Total Program Expense	36,170	**36,242**	72	
Debt Servicing Costs	205	**205**	-	
Total Expense	36,375	**36,447**	72	

CAPITAL PLAN

2009-10 Capital Plan commitments are forecast at $7.7 billion, $500 million higher than the budget estimate. These include capital investment in provincial government assets and capital grants to local authorities and other infrastructure support. The increase is due mainly to the carry-over of 2008-09 projects into 2009-10 and increased capital grants, which are partially offset by increased federal transfers.

Municipal Infrastructure Support – $1.5 billion, $15 million higher than the budget estimate. $11 million of the increase will support housing development initiatives and $4 million budgeted as water and wastewater management has been reclassified under the municipal infrastructure support envelope.

Provincial Highway Network – $2.1 billion, an increase of $267 million from budget reflects mainly carry-over of 2008-09 projects.

Health Facilities and Equipment – $371 million, $2 million higher than budgeted due to Capital for Emergent Projects transfers.

Post-secondary Facilities – $490 million, unchanged from budget.

Schools – $761 million, unchanged from budget.

Community Facilities – $80 million, unchanged from budget.

Water and Wastewater Management – $286 million, $32 million higher than budget. A $36 million increase for water and wastewater management projects is slightly offset by reclassifying $4 million under the municipal infrastructure support envelope.

Housing – $420 million, a $92 million increase from budget. $58 million of this increase is a flow-through of federal funding for affordable housing development initiatives.

Government Facilities, Equipment and Other Capital – $1.4 billion, an increase of $92 million from budget mainly due to funding carried over from 2008-09 for several projects including the Calgary Court Centre Phase II Parkade, the federal building redevelopment and land purchases in transportation and utility corridors.

Unallocated Provision – $212 million, unchanged from budget.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2009-10		
	Budget	1st Quarter Forecast	Change from Budget
Municipal infrastructure support	1,491	**1,506**	15
Provincial highway network	1,842	**2,109**	267
Health facilities and equipment	369	**371**	2
Post-secondary facilities	490	**490**	-
Schools	761	**761**	-
Community facilities	80	**80**	-
Water and wastewater management	254	**286**	32
Housing	328	**420**	92
Government facilities, equipment and other capital	1,352	**1,444**	92
Unallocated provision	212	**212**	-
Total Capital Plan	7,179	**7,679**	500

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – Net assets at March 31, 2010 are forecast at $35.1 billion, a decrease of $2.2 billion from the budget forecast and $7.6 billion from March 31, 2009. This includes forecast capital assets of $18.5 billion, $393 million higher than the budget estimate and $2.7 billion higher than March 31, 2009.

Heritage Fund – The forecast net book value of the Heritage Fund external assets is $13.8 billion, unchanged from budget and the same as at March 31, 2009. No inflation-proofing was budgeted this year due to a negative inflation rate forecast.

Endowment and Other Funds – Total assets are forecast at $3.2 billion, with a $51 million increase from budget and $74 million increase from March 31, 2009. This is due mainly to stronger-than-expected equity investments.

Sustainability Fund – Assets of the Fund are forecast at $9.3 billion at March 31, 2010. This is $1.0 billion lower than the budget estimate. $6.9 billion is being withdrawn to offset the deficit as required under the *Fiscal Responsibility Act*, an increase of $2.2 billion from budget. Additional cash and other adjustments further reduce the Fund's assets by $0.4 billion. These are somewhat offset by the $1.5 billion in additional cash from 2008-09 fourth quarter results.

Pension Liabilities – Forecast at $10.8 billion at March 31, 2010, unchanged from budget. The increase of $703 million from March 31, 2009, is somewhat larger than usual reflecting amortization of accumulated 2008-09 market losses.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2009	2010			
			1st Quarter	Change from	
	Actual	Budget [a]	Forecast	Budget	2009 Actual
Financial Assets					
Heritage Fund equity	13,838	13,838	**13,838**	-	-
Self-supporting lending organizations	9,235	9,994	**10,303**	309	1,068
Alberta Sustainability Fund [b]	16,822	10,359	**9,315**	(1,044)	(7,507)
Endowment and other funds [c]	3,108	3,131	**3,182**	51	74
Equity in commercial enterprises	2,346	2,562	**2,449**	(113)	103
Debt Retirement Account	1,175	1,107	**1,107**	-	(68)
Other financial assets	7,527	7,686	**6,483**	(1,203)	(1,044)
Total Financial Assets	54,051	48,677	**46,677**	(2,000)	(7,374)
Liabilities					-
Accumulated debt	1,160	1,092	**1,092**	-	(68)
Pension liabilities [d]	10,081	10,784	**10,784**	-	703
Self-supporting lending organizations	8,424	9,003	**9,383**	380	959
Liabilities for alternatively financed capital projects	880	2,626	**2,581**	(45)	1,701
Other liabilities	6,633	5,996	**6,217**	221	(416)
Total Liabilities	27,178	29,501	**30,057**	556	2,879
Net Financial Assets	26,873	19,176	**16,620**	(2,556)	(10,253)
Capital Assets	15,848	18,128	**18,521**	393	2,673
Net Assets	42,721	37,304	**35,141**	(2,163)	(7,580)
Adjustment for pension liabilities	10,081	10,784	**10,784**	-	703
Net Assets for Fiscal Policy Purposes [e]	52,802	48,088	**45,925**	(2,163)	(6,877)

[a] Budget numbers have been restated to reflect 2008-09 actual results.

[b] Under the amended *Fiscal Responsibility Act*, assets of the Capital Account were transferred into the Sustainability Fund for 2009-10, and amounts set aside for carbon capture and storage and Green TRIP initiatives were retained in the Sustainability Fund.

[c] Includes the Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Alberta Enterprise Corporation and Climate Change and Emissions Management Fund.

[d] The Actual, Budget and First Quarter forecast amounts were restated to include the government's portion of liabilities of the Local Authorities Pension Plan.

[e] Under the *Fiscal Responsibility Act*. Excludes pension obligations and net assets of Crown-controlled SUCH sector organizations.

CAPITAL GRANTS TO LOCAL AUTHORITIES AND OTHER INFRASTRUCTURE SUPPORT[a]

(millions of dollars)

	2009-10		
	Budget	1st Quarter Forecast	Change from Budget
Advanced Education and Technology	484	**484**	-
Agriculture and Rural Development	42	**42**	-
Children and Youth Services	14	**14**	-
Culture and Community Spirit	45	**45**	-
Education	760	**760**	-
Employment and Immigration	-	**-**	-
Energy	100	**100**	-
Environment	112	**112**	-
Finance and Enterprise	6	**6**	-
Health and Wellness	288	**290**	2
Housing and Urban Affairs	277	**335**	58
Infrastructure	67	**64**	(3)
Municipal Affairs	355	**355**	-
Seniors and Community Supports	51	**51**	-
Tourism, Parks and Recreation	9	**9**	-
Transportation	1,349	**1,396**	47
Treasury Board	193	**193**	-
	4,152	**4,256**	104

[a] Included in program expense. Includes support for project planning and accommodation and facility preservation.

CAPITAL INVESTMENT AND AMORTIZATION[a]

(millions of dollars)

	2009-10 Capital Investment			2009-10 Capital Amortization		
	Budget	1st Quarter Forecast	Change from Budget	Budget	1st Quarter Forecast	Change from Budget
Legislative Assembly	2	**2**	-	1	**1**	-
Advanced Education and Technology	16	**16**	-	8	**8**	-
Agriculture and Rural Development	15	**15**	-	14	**14**	-
Children and Youth Services	2	**2**	-	4	**4**	-
Culture and Community Spirit	3	**4**	1	2	**2**	-
Education	1	**1**	-	1	**1**	-
Employment and Immigration	4	**5**	1	3	**3**	-
Energy	25	**25**	-	20	**20**	-
Environment	1	**1**	-	22	**22**	-
Executive Council	-	**-**	-	-	**-**	-
Finance and Enterprise	12	**13**	1	8	**8**	-
Health and Wellness	74	**74**	-	76	**76**	-
Housing and Urban Affairs	-	**33**	33	24	**24**	-
Infrastructure	599	**675**	76	77	**77**	-
International and Intergovernmental Relations	-	**-**	-	-	**-**	-
Justice	4	**4**	-	8	**8**	-
Municipal Affairs	2	**2**	-	2	**2**	-
Seniors and Community Supports	1	**1**	-	1	**1**	-
Service Alberta	117	**118**	1	41	**41**	-
Solicitor General and Public Security	36	**36**	-	3	**3**	-
Sustainable Resource Development	26	**39**	13	15	**15**	-
Tourism, Parks and Recreation	18	**21**	3	13	**13**	-
Transportation	1,857	**2,124**	267	362	**362**	-
Treasury Board	-	**-**	-	1	**1**	-
Unallocated provision	212	**212**	-	-	**-**	-
Total Capital Investment and Amortization	3,027	**3,423**	396	706	**706**	-

[a] Capital Investment includes purchases of inventory. Capital Amortization includes consumption of inventory.

CASH ADJUSTMENTS/REQUIREMENTS

(millions of dollars)

	2009-10		
	Budget	1st Quarter Forecast	Change from Budget
Capital cash adjustments			
Requirements			
Capital investment	(3,027)	**(3,423)**	(396)
Principal repayments for alternatively financed projects	(7)	**(7)**	-
Total requirements	(3,034)	**(3,430)**	(396)
Sources			
Capital amortization	706	**706**	-
Net book value of capital assets disposals	41	**41**	-
Alternatively financed capital investment	340	**294**	(46)
Alternatively financed capital grants	-	**314**	314
Direct borrowing	1,100	**1,100**	-
Total sources	2,187	**2,455**	268
Total capital cash adjustments	(847)	**(975)**	(128)
Other cash adjustments			
Energy royalties	(635)	**(618)**	17
Student loans	(50)	**(69)**	(19)
Other	6	**28**	22
Retained income of funds and agencies[a]	(223)	**(499)**	(276)
Total other cash adjustments	(902)	**(1,158)**	(256)
Total cash adjustments / requirements	(1,749)	**(2,133)**	(384)

[a] Primarily the retained income of Alberta Treasury Branches, Agriculture Financial Services Corporation and other funds and agencies.

2009–10 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES [a]

(millions of dollars)

	Sensitivities	$ millions	Assumptions	
	2009-10			1st
	Annual Change	Net Change	Budget	Quarter Forecast
Oil Price WTI (US$/bbl) [b]	-$1.00	-143	55.50	**61.00**
Natural Gas Price (Cdn$/GJ)	-10 cents	-126	5.50	**3.75**
Exchange Rate (US¢/Cdn$)	+1 cent	-221	83.50	**89.40**
Interest Rates	+1%	-212		
3-month Canada treasury bills			0.60	**0.30**
10-year Canada bonds			3.05	**3.00**
Personal Income	-1%	-127	2.1%	**2.8%**
Corporate Taxable Income	-1%	-16	-37.3%	**-52.2%**

[a] Sensitivities based on prices and rates forecast at budget

[b] Alberta Wellhead Oil Price (Cdn $/bbl) 57.95 59.80

NET FINANCIAL REQUIREMENTS [a]

(millions of dollars)

	2009-10		
	Budget	1st Quarter Forecast	Change from Budget
Requirements			
General Revenue Fund term debt maturities	-	-	-
School construction loan repayments	44	**44**	-
Alberta Social Housing Corporation debt repayment	24	**24**	-
Accumulated debt financing requirements	68	**68**	-
Direct borrowing for capital purposes	1,100	**1,100**	-
Agriculture Financial Services Corporation term borrowing requirements	75	**200**	125
Gross financing requirements	1,243	**1,368**	125
Cash applied to accumulated debt repayment	(68)	**(68)**	-
Net Term Debt Financing Requirements	1,175	**1,300**	125
Term debt financing completed to date	-	**100**	100

[a] Does not include alternative financing for government or financing requirements of Alberta Capital Finance Authority or ATB Financial.

ACTUAL RESULTS

FOR THE FIRST THREE MONTHS OF 2009–10

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in Budget 2009.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes and regional health authorities that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are included in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains and losses from sale of capital assets), expense (including amortization of capital assets), and net revenue.

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension liabilities. Expense excludes the change in the unfunded pension liabilities, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2008-09 figures have been restated where necessary to conform to the 2009-10 presentation.

CONSOLIDATED FISCAL SUMMARY

(millions of dollars)

	First Three Months		
	2009-10	2008-09	Change
Revenue			
Income taxes	3,096	3,034	62
Other taxes	812	946	(134)
Non-renewable resource revenue	1,100	4,272	(3,172)
Transfers from Government of Canada	1,161	720	441
Net income from commercial operations	622	625	(3)
Premiums, fees and licences	501	699	(198)
Investment income	1,162	512	650
Other	165	130	35
Total Revenue	**8,619**	**10,938**	**(2,319)**
Expense			
Program Expense			
Legislative Assembly	22	21	1
Aboriginal Relations	35	4	31
Advanced Education and Technology	603	650	(47)
Agriculture and Rural Development	118	240	(122)
Children and Youth Services	302	252	50
Culture and Community Spirit	58	75	(17)
Education	1,384	1,241	143
Employment and Immigration	265	204	61
Energy	99	60	39
Environment	43	44	(1)
Executive Council	7	5	2
Finance and Enterprise	205	228	(23)
Health and Wellness	2,932	2,817	115
Housing and Urban Affairs	78	77	1
Infrastructure	130	113	17
International and Intergovernmental Relations	6	5	1
Justice	119	111	8
Municipal Affairs	52	572	(520)
Seniors and Community Supports	478	430	48
Service Alberta	67	64	3
Solicitor General and Public Security	177	129	48
Sustainable Resource Development	94	115	(21)
Tourism, Parks and Recreation	43	36	7
Transportation	536	347	189
Treasury Board	10	9	1
Total Program Expense	**7,863**	**7,849**	**14**
Debt servicing costs	43	49	(6)
Total Expense	**7,906**	**7,898**	**8**
Net Revenue	**713**	**3,040**	**(2,327)**

PRODUCED BY
Government of Alberta
Finance and Enterprise